

May 14, 2009

Rhody Health Partners Data Book

Rate Period April 1, 2009 – March 31, 2010

**Revised May 14, 2009 for
Effective July 1, 2009**

State of Rhode Island

Final & Confidential

Contents

1. Introduction.....	3
2. Medical Expense and Enrollment History	4
3. Medical and Pharmacy Trends	5
4. Managed Care Adjustment Factors	7
5. Rate Development Methodology.....	9
6. Appendices.....	11

1

INTRODUCTION

The Rhode Island Department of Human Services (RIDHS) requested that HealthCare Analytics calculate actuarially sound renewal rates for the purposes of contracting with health plans to provide health care benefits to certain and specific segments of the SSI Adult population through a program called Rhody Health Partners.

This document presents the approach and calculation of the Rhody Health Partners per member per month (PMPM) capitation rates effective for the Rate Period April 1, 2009 through March 31, 2010, for the purpose of attaining rate approval from CMS under 42 CFR 438.6(c), and which were made consistent with the guidance provided in the Centers for Medicare and Medicaid Services (CMS) Rate Checklist.

The Rhody Health Partners capitation rates for the rate period 4/1/2009 – 3/31/2010 effective 7/1/2009 were developed in consultation with the actuarial firm of Donlon & Associates, Inc., who also provided the certification letter required by CMS.

Note: This document is a revision of a previously prepared document dated March 9, 2009. The changes are as follows:

1. Revision to the base period for the MR Waiver population whereby the blend of the two periods are made on a comparable period basis – i.e. the 4/1/06-3/31/07 experience was trended forward to the 4/1/07-3/31/08 period prior to credibility weighted blending of the two base periods.
2. The recently enacted 2% Premium Tax was incorporated into the final capitation rates.

2

For the analysis and rate development, HealthCare Analytics relied on Medicaid Fee For Service data prepared by Strategies And Solutions, which included the following:

- MR Waiver
- SPMI
- Other Disabled 21-44 years of age
- Other Disabled 45 years and older

- In-Plan Services Only
- Aged, Blind and Disabled Adults
- Not Medically Needy
- Not Enrolled in any other program
- No Third Party Liability
- Not Dually Eligible
- Less than 30 days in a nursing home facility/Not institutionalized

The membership history was reported and analyzed for the same periods and same target populations (see table 1). HealthCare Analytics relied upon the accuracy of the data provided by Strategies And Solutions to perform its analysis and develop capitation rates herewith.

Table 1

Rhody Health Partners Rate Renewal 4/1/09 - 3/31/10						
Average Eligible Members						
Program Population	4/03 - 3/04	4/04 - 3/05	4/05 - 3/06	4/06 - 3/07	4/07 - 3/08	Jun-08
MR Waiver	559	606	628	654	685	758
SPMI	2,057	1,983	2,040	2,155	2,313	2,351
Other Disabled 21-44	5,074	5,000	4,864	4,597	4,181	4,272
Other Disabled 45+	6,735	6,941	7,180	7,285	7,274	7,398
Total	14,425	14,530	14,711	14,690	14,454	14,779
Eligible members include Connect Care Choice (eff. 9/1/07), Rhody Health Partners (eff. 4/1/08)						

3

MEDICAL AND PHARMACY TRENDS

To develop PMPM capitation rates effective April 1, 2009 for each target population (MR Waiver, SPMI, Other Disabled 21-44 & Other Disabled 45+), we developed medical expense PMPM estimates for the Rate Year April 1, 2009 through March 31, 2010 by projecting the Selected Base Period PMPMs for each target population forward using trend factors.

The Selected Base Period for each target population was established based on an examination of the experience data, and with the assistance of Donlon & Associates an appropriate base period was developed or selected. For SPMI, Other Disabled 21-44 and Other Disabled 45+ populations, the experience period of 4/1/2007 – 3/31/2008 (est. 100% complete) was selected as the base period for both the Medical and Pharmacy PMPMs, whereas for MR Waiver, due to its small size and volatility, a credibility weighted average of the last 2 experience periods was selected as the base period (4/1/2006 - 3/31/2007 & 4/1/2007 - 3/31/2008, both est. 100% complete) for both Medical and Pharmacy (see table 2).

Separate trend factors were developed for Medical and Pharmacy, for each target population, reflecting the underlying trends within that population's historical experience. For Other Disabled 21-44 and Other Disabled 45+, the experience of these two populations were combined for the purpose of calculating combined trend factors for Medical and Pharmacy which were used for each of the two "Other Disabled" target populations. For MR Waiver and SPMI, due to their small size and volatility, credibility-weighted average trends were developed utilizing their respective trends blended with the combined Other Disabled trend. In order to smooth out the observed wide year-to-year variations in trends for MR Waiver, its 3-year average trend was blended with the 2-year average trend for the combined Other Disabled. Similarly for SPMI, in order to smooth out the wide year-to-year variations, its 3-year average trend was blended with the 2-year average trend for the combined Other Disabled (see table 2).

Table 2

Rhody Health Partners									
Rate Renewal									
For 4/1/09 - 3/31/10									
FFS Claims Experience PMPM & Trends									
Incurred April through March, Paid through Mid November 2008, estimated 100%									

4

MANAGED CARE SAVINGS ESTIMATE

As with the previous filing for rates effective 4/1/2008 – 3/31/2009, the actuarial firm of Donlon & Associates, Inc. was retained to review the underlying historical experience of the claims data and develop a range of managed care adjustment factors. Since the selected base periods do not include any experience from the current contract period, no managed care initiatives are present in the experience. Upon review of the underlying data, Donlon & Associates recommended maintaining the managed care adjustment factors developed for the previous rate development (see table 3). As with the previous filing, the resultant capitation rates assume that the health plans will achieve better outcomes than the traditional fee-for-service system through their care management and best practice initiatives.

Note that for this rate filing the claims experience and target populations include eligibles that are currently enrolled in Connect Care Choice (CCC), a primary care-centered model of care delivery effective since 9/1/2007 that is believed to achieve similar results as managed care. In consideration of this, the managed care adjustment factors were discounted to disallow adjustments on portions of the populations that are already “managed”. This adjustment discount was minimal at 1.2% overall, reflecting the relatively small proportion of the enrollment in CCC for some portion of the base period (see table 3).

Rhody Health Partners
Rate Renewal
For 4/1/09 - 3/31/10

Page 8 of 11

5

RATE DEVELOPMENT METHODOLOGY

Methodology

To develop capitation rates for each target populations, base period PMPMs were selected or developed for both Medical and Pharmacy and projected respectively to the Rate Year of 4/1/2009 – 3/31/2010 using individually developed trends for MR Waiver, SPMI, Other Disabled 21-44 and Other Disabled 45+ populations. The distinct Medical and Pharmacy trends were applied from the midpoint of the base year (October 1, 2007), to the midpoint of the Rate Year (October 1, 2009), for a total of 24 months, or 2.00 years.

With the assistance of Donlon & Associates we examined the underlying data and influencing factors in the experience data over time for all the populations, but in particular for MR Waiver and SPMI, and concluded that the previous projected PMPMs may have been artificially overstated due in large part by the small size and volatile nature of the populations affecting the then selected base period PMPMs and selected trends. To address the volatility in the experience for these two populations, we developed credibility-weighted blended PMPMs for the base period and trends for the projection period in order to smooth the wide year-to-year variations and mitigate the potential for overstating or understating the projected PMPMs. For Other Disabled 21-44 and Other Disabled 45+ the indicated trends in the claims experience appeared steady and reasonable, therefore no adjustments were deemed necessary (refer to the discussion on medical and pharmacy trends above and table 2).

The projected Medical PMPMs were adjusted to account for the anticipated impact of CCC program initiatives on the overall Fee For Service (FFS) rates, specifically the portion of CCC populations prior to its 9/1/2007 effective date.

Projected PMPMs for Medical and Pharmacy were then adjusted by the managed care adjustment factors developed by Donlon & Associates, to arrive at an estimated managed care plan claims PMPMs.

As Rhody Health Partners is intended to be a primary care driven plan, a further adjustment was made to compensate health plans for the anticipated increase in reimbursement rates for select codes to primary care physicians. This adjustment was derived at with the assistance of RIDHS personnel.

Administrative expense loads were held constant at the current effective rates, despite lower projected PMPMs for MR Waiver and SPMI as it was felt, through consultation with RIDHS personnel, that the current administrative rates are adequate.

Thus, the capitation rates for the Rate Year 4/1/2009 – 3/31/2010 for Rhody Health Partners have been developed using mostly 4/1/2007 – 3/31/2008 incurred experience for Medical and Pharmacy

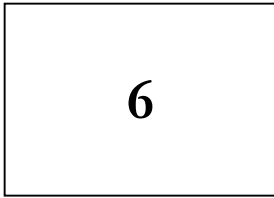
as the base period (see the discussion on blended PMPMs for MR Waiver and SPMI in the Medical and Pharmacy Trend section above); projected forward to the Rate Year utilizing trends developed based on historical experience of each target population (see above for discussion on blended PMPMs for MR Waiver and SPMI); adjusted for anticipated changes in FFS rates for certain E&M codes due to other program initiatives; adjusted for estimated managed care impact resulting from plan-initiated care management and best practices; further adjusted for anticipated market changes affecting reimbursement for select PCP codes; and loaded for administrative expenses and the recently legislated premium tax (see table 4).

Table 4

Rhody Health Partners					
Rate Renewal					
4/1/09 - 3/31/10					
Revised Rates Effective 7/1/2009					
		MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Average Members @ 6/08		758	2,351	4,272	7,398
Base Period Medical PMPM 4/1/07 - 3/31/08		\$ 430.79	\$ 1,036.87	\$ 577.21	\$ 767.87
Adjust impact of CCC PCP rates to full in Base Period ¹		\$ 0.03	\$ 0.17	\$ 0.07	\$ 0.07
Adjusted Base Period Medical PMPM 4/1/07 - 3/31/08		\$ 430.82	\$ 1,037.03	\$ 577.28	\$ 767.94
Selected Medical Trend for Projection		8.4%	5.8%	9.3%	9.3%
Projection Period (years)		2.00	2.00	2.00	2.00
Projected Medical PMPM for 4/1/09-3/31/10		\$ 506.24	\$ 1,160.82	\$ 689.02	\$ 916.59
Base Period Pharmacy PMPM 4/1/07 - 3/31/08 (including rebates)		\$ 269.88	\$ 379.71	\$ 118.92	\$ 186.87
Selected Pharmacy Trend for Projection		5.0%	5.0%	5.0%	5.0%
Projection Period (years)		2.00	2.00	2.00	2.00
Projected Net (including rebates) Pharmacy PMPM for 4/1/09-3/31/10		\$ 297.54	\$ 418.63	\$ 131.11	\$ 206.02
	60%				
Projected Total PMPM for 4/1/09-3/31/10		\$ 803.78	\$ 1,579.45	\$ 820.13	\$ 1,122.61
Estimated Medical Managed Care Savings ²		8.23%	14.33%	7.61%	6.22%
Estimated Medical Managed Care Savings PMPM		\$ 41.66	\$ 166.29	\$ 52.43	\$ 57.05
Estimated Pharmacy Managed Care Savings ²		9.95%	9.76%	9.90%	9.90%
Estimated Pharmacy Managed Care Savings PMPM		\$ 29.62	\$ 40.85	\$ 12.98	\$ 20.40
Estimated Total Managed Care Savings PMPM		\$ 71.28	\$ 207.14	\$ 65.41	\$ 77.45
Estimated Total Managed Care Savings		9%	13%	8%	7%
Adjmt. to recognize mkt. chgs. in reimb. for select PCP codes ³		\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49
4/1/09-3/31/10 Projected Total PMPM with Managed Care Savings		\$ 733.99	\$ 1,373.80	\$ 756.21	\$ 1,046.65
Admin Expense Allocation ⁴		\$ 52.25	\$ 99.75	\$ 52.25	\$ 57.00
Projected Total PMPM with Mgd.Care & Admin		\$ 786.24	\$ 1,473.55	\$ 808.46	\$ 1,103.65
Premium Tax ⁵		\$ 16.05	\$ 30.08	\$ 16.50	\$ 22.53
Capitation Rate PMPM Effective 7/1/2009		\$ 802.29	\$ 1,503.63	\$ 824.96	\$ 1,126.18
¹ To adjust the partial period impact of other program initiative in the Base Period to the full year (program was effective 9/1/07)					
² Managed Care Savings assumptions are carried over from last year's rate development, as the claims experience for this rate development is prior to the first year contract period (4/1/08 - 3/31/09). Adjusted for populations that are in managed care type program initiatives and which are reflected in the base period (Connect Care Choice eff. 9/1/07)					
³ Increase to capitation rates based on the assumption of minimum 75% of 2007 Medicare rate for PCPs on CPT codes 99212, 99213, 99214					
⁴ Admin rates held constant from as of 2/1/09					
⁵ Premium Tax is calculated at 2% of premium					

Actuarial Certification

Certification of the Rhode Health Partners capitation rates for the rate period 4/1/2008 – 3/31/2009, effective 7/1/2009 is provided under a separate cover by the actuarial firm of Donlon & Associates, Inc., in support of this data book.



APPENDICES

**Rhody Health Partners
Rate Renewal
4/1/09 - 3/31/10**

Average Eligible Members

Program Population	4/03 - 3/04	4/04 - 3/05	4/05 - 3/06	4/06 - 3/07	4/07 - 3/08	Jun-08
MR Waiver	559	606	628	654	685	758
SPMI	2,057	1,983	2,040	2,155	2,313	2,351
Other Disabled 21-44	5,074	5,000	4,864	4,597	4,181	4,272
Other Disabled 45+	<u>6,735</u>	<u>6,941</u>	<u>7,180</u>	<u>7,285</u>	<u>7,274</u>	<u>7,398</u>
Total	14,425	14,530	14,711	14,690	14,454	14,779

Eligible members include Connect Care Choice (eff. 9/1/07), Rhody Health Partners (eff. 4/1/08)

Rhody Health Partners
Rate Renewal
For 4/1/09 - 3/31/10

FFS Claims Experience PMPM & Trends

Incurred April through March, Paid through Mid November 2008, estimated 100%

<u>Incurred Periods</u>	<u>MR Waiver</u>			<u>SPMI</u>			<u>Other Disabled Total</u>		
	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>
4/1/03 - 3/31/04	\$ 403.02	\$ 229.01	\$ 632.03	\$ 799.38	\$ 331.44	\$ 1,130.83	\$ 529.02	\$ 152.05	\$ 681.07
4/1/04 - 3/31/05	\$ 311.74	\$ 239.80	\$ 551.53	\$ 966.15	\$ 359.88	\$ 1,326.03	\$ 580.10	\$ 159.71	\$ 739.82
4/1/05 - 3/31/06	\$ 318.69	\$ 261.96	\$ 580.66	\$ 1,061.62	\$ 395.65	\$ 1,457.27	\$ 585.03	\$ 167.56	\$ 752.59
4/1/06 - 3/31/07	\$ 455.84	\$ 260.36	\$ 716.20	\$ 886.02	\$ 385.50	\$ 1,271.52	\$ 639.34	\$ 166.90	\$ 806.24
4/1/07 - 3/31/08	\$ 388.56	\$ 267.54	\$ 656.10	\$ 1,036.87	\$ 379.71	\$ 1,416.57	\$ 698.28	\$ 162.07	\$ 860.34
Selected Base Period ¹	\$430.79	\$ 269.88		\$1,036.87	\$379.71		Other Disabled 21-44 \$577.21	\$118.92	
							Other Disabled 45+ \$767.87	\$186.87	
<u>Year-over-Year Trends</u>									
YE 3/05 over YE 3/04	-23%	5%	-13%	21%	9%	17%	10%	5%	9%
YE 3/06 over YE 3/05	2%	9%	5%	10%	10%	10%	1%	5%	2%
YE 3/07 over YE 3/06	43%	-1%	23%	-17%	-3%	-13%	9%	0%	7%
YE 3/08 over YE 3/07	-15%	3%	-8%	17%	-2%	11%	9%	-3%	7%
<u>Multi-Year Trends</u>									
YE 3/08 over YE 3/04	-0.9%	4%	1%	6.7%	3%	6%	7.2%	2%	6%
YE 3/08 over YE 3/05	7.6%	4%	6%	2.4%	2%	2%	6.4%	0%	5%
YE 3/08 over YE 3/06	10.4%	1%	6%	-1.2%	-2%	-1%	9.3%	-2%	7%
Selected Trends ²	8.4%	5.0%		5.8%	5.0%		9.3%	5.0%	

Claims expenses include experience from certain managed care populations - Connect Care Choice (eff. 9/1/07)

¹ The selected Base Periods are as follows:

Medical: MR Waiver - credibility weighted average of the 4/1/06-3/31/07 period trended forward 1 year & the 4/1/07-3/31/08 period at 40% & 60% respectively; SPMI, Other Disabled 21-44 and Other Disabled 45+ 4/1/07-3/31/08 @ 100%

Pharmacy: MR Waiver - credibility weighted average of the 4/1/06-3/31/07 period trended forward 1 year & the 4/1/07-3/31/08 at 40% & 60% respectively; SPMI, Other Disabled 21-44 and Other Disabled 45+ 4/1/07-3/31/08 at 100%

² The selected trends are as follows:

Medical: MR Waiver & SPMI - credibility weighted average of the 3-year indicated trend for MR Waiver & SPMI and the 2-year trend for Other Disabled, respectively; Other Disabled - 2-year indicated trend

Pharmacy: 5% given the indicated flat trend in all programs, which we believe may not be sustainable long term, and related market trends

Rhody Health Partners
Rate Renewal
For 4/1/09 - 3/31/10

Experience Period 4/1/07 - 3/31/08	MR Waiver		SPMI		Other Disabled 21-44		Other Disabled 45+		
Average Members	685		2,313		4,272		7,274		
Total PMPM (including Rx rebates)	\$	656.10	\$	1,416.57	\$	696.13	\$	954.74	
Care component affected by managed care initiatives:									
Inpatient - General	\$	58.51	\$	119.24	\$	120.66	\$	192.70	
Inpatient - Specialty	\$	38.86	\$	87.07	\$	94.81	\$	161.97	
Inpatient - Behavioral	\$	70.86	\$	378.95	\$	45.74	\$	32.03	
Outpatient ER - Facility	\$	27.89	\$	106.49	\$	71.18	\$	59.41	
Outpatient ER - Professional	\$	3.59	\$	13.62	\$	8.71	\$	6.86	
Procedures - Outpatient	\$	15.49	\$	35.15	\$	57.64	\$	85.99	
Procedures - Professional	\$	6.05	\$	11.59	\$	12.13	\$	19.36	
Lab/Rad - Outpatient	\$	10.32	\$	30.89	\$	21.02	\$	33.11	
Professional PCP	\$	6.47	\$	13.83	\$	9.48	\$	11.17	
Professional Specialty	\$	18.46	\$	46.64	\$	28.41	\$	36.22	
Behavioral Health (BH) - Outpatient	\$	0.19	\$	2.85	\$	0.94	\$	0.33	
Behavioral Health (BH) - Professional	\$	10.40	\$	91.60	\$	25.76	\$	19.49	
Nursing Home	\$	-	\$	5.72	\$	1.10	\$	8.05	
Other Professional	\$	105.51	\$	44.82	\$	30.77	\$	45.92	
Pharmacy (including Rebates)	\$	267.54	\$	379.71	\$	118.92	\$	186.87	
Total of care components affected by managed care initiatives	\$	640.14	\$	1,368.16	\$	647.27	\$	899.47	
Total of care components NOT affected by managed care initiatives	\$	15.96	\$	48.42	\$	48.85	\$	55.28	
Total Medical and Rx PMPM (including Rx rebates)	\$	656.10	\$	1,416.57	\$	696.13	\$	954.74	
Managed Care Savings : Adjustment Factors ¹									
Inpatient - General		0.93		0.83		0.93		0.93	
Inpatient - Specialty		0.98		0.98		0.98		0.98	
Inpatient - Behavioral		0.83		0.83		0.83		0.83	
Outpatient ER - Facility		0.83		0.53		0.78		0.78	
Outpatient ER - Professional		0.83		0.53		0.78		0.78	
Procedures - Outpatient		0.98		0.98		0.98		0.98	
Procedures - Professional		0.98		0.98		0.98		0.98	
Lab/Rad - Outpatient		0.88		0.88		0.88		0.88	
Professional PCP		1.13		1.13		1.13		1.13	
Professional Specialty		0.98		0.98		0.98		0.98	
Behavioral Health (BH) - Outpatient		0.88		0.93		0.88		0.88	
Behavioral Health (BH) - Professional		0.88		0.98		0.88		0.88	
Nursing Home		0.93		0.93		0.93		0.93	
Other Professional		0.93		0.93		0.93		0.93	
Pharmacy		0.90		0.90		0.90		0.90	
Medical Managed Care Savings	\$	32.12	8.3%	\$	152.23	14.7%	\$	44.38	7.7%
Pharmacy Managed Care Savings		26.75	10.0%		37.97	10.0%		11.89	10.0%
Total Managed Care Savings		58.88	9.0%		190.20	13.4%		56.27	8.1%
Adjustment for populations already in Managed Care ²		1.00		0.98		0.99		0.99	
Medical Managed Care Savings	\$	31.98	8.2%	\$	148.54	14.3%	\$	43.92	7.6%
Pharmacy Managed Care Savings	\$	26.63	10.0%	\$	37.05	9.8%	\$	11.77	9.9%
Total Managed Care Savings	\$	58.61	8.9%	\$	185.59	13.1%	\$	55.69	8.0%

¹ Managed care savings adjustment factors developed by Donlon & Associates, Inc.

² Adjustment to reduce the Managed Care Savings assumption to account for Connect Care Choice (eff. 9/1/07) which is in a managed care type program for part of the base period and as such already reflect managed care savings in their experience

Rhody Health Partners
Rate Renewal
4/1/09 - 3/31/10

Revised Rates Effective 7/1/2009

	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Average Members @ 6/08	758	2,351	4,272	7,398
Base Period Medical PMPM 4/1/07 - 3/31/08	\$ 430.79	\$ 1,036.87	\$ 577.21	\$ 767.87
Adjust impact of CCC PCP rates to full in Base Period ¹	\$ 0.03	\$ 0.17	\$ 0.07	\$ 0.07
Adjusted Base Period Medical PMPM 4/1/07 - 3/31/08	\$ 430.82	\$ 1,037.03	\$ 577.28	\$ 767.94
Selected Medical Trend for Projection	8.4%	5.8%	9.3%	9.3%
Projection Period (years)	2.00	2.00	2.00	2.00
Projected Medical PMPM for 4/1/09-3/31/10	\$ 506.24	\$ 1,160.82	\$ 689.02	\$ 916.59
Base Period Pharmacy PMPM 4/1/07 - 3/31/08 (including rebates)	\$ 269.88	\$ 379.71	\$ 118.92	\$ 186.87
Selected Pharmacy Trend for Projection	5.0%	5.0%	5.0%	5.0%
Projection Period (years)	2.00	2.00	2.00	2.00
Projected Net (including rebates) Pharmacy PMPM for 4/1/09-3/31/10	\$ 297.54	\$ 418.63	\$ 131.11	\$ 206.02
Projected Total PMPM for 4/1/09-3/31/10	\$ 803.78	\$ 1,579.45	\$ 820.13	\$ 1,122.61
Estimated Medical Managed Care Savings ²	8.23%	14.33%	7.61%	6.22%
Estimated Medical Managed Care Savings PMPM	\$ 41.66	\$ 166.29	\$ 52.43	\$ 57.05
Estimated Pharmacy Managed Care Savings ²	9.95%	9.76%	9.90%	9.90%
Estimated Pharmacy Managed Care Savings PMPM	\$ 29.62	\$ 40.85	\$ 12.98	\$ 20.40
Estimated Total Managed Care Savings PMPM	\$ 71.28	\$ 207.14	\$ 65.41	\$ 77.45
Estimated Total Managed Care Savings	9%	13%	8%	7%
Adjmt. to recognize mkt. chgs. in reimb. for select PCP codes ³	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49
4/1/09-3/31/10 Projected Total PMPM with Managed Care Savings	\$ 733.99	\$ 1,373.80	\$ 756.21	\$ 1,046.65
Admin Expense Allocation ⁴	\$ 52.25	\$ 99.75	\$ 52.25	\$ 57.00
Projected Total PMPM with Mgd.Care & Admin	\$ 786.24	\$ 1,473.55	\$ 808.46	\$ 1,103.65
Premium Tax ⁵	\$ 16.05	\$ 30.08	\$ 16.50	\$ 22.53
Capitation Rate PMPM Effective 7/1/2009	\$ 802.29	\$ 1,503.63	\$ 824.96	\$ 1,126.18

¹ To adjust the partial period impact of other program initiative in the Base Period to the full year (program was effective 9/1/07)

² Managed Care Savings assumptions are carried over from last year's rate development, as the claims experience for this rate development is prior to the first year contract period (4/1/08 - 3/31/09). Adjusted for populations that are in managed care type program initiatives and which are reflected in the base period (Connect Care Choice eff. 9/1/07)

³ Increase to capitation rates based on the assumption of minimum 75% of 2007 Medicare rate for PCPs on CPT codes 99212, 99213, 99214

⁴ Admin rates held constant from as of 2/1/09

⁵ Premium Tax is calculated at 2% of premium



Donlon & Associates, Inc.

STATEMENT OF ACTUARIAL OPINION

I, Vincent G. Sherwin, am associated with the firm of Donlon & Associates, Inc. I am a Member of the American Academy of Actuaries and meet its General Qualification Standards to issue public statements of actuarial opinions, which include the development of capitated rates for state Medicaid programs. I have been involved in developing the State capitation rates for specific segments of the SSI population under Rhode Island's Medicaid program called Rhody Health Partners (RHP) for the period April 1, 2009 – March 31, 2010. Capitation rates were developed for the following eligibility categories: MR Waiver, SPMI, Other Disabled 21-44, and Other Disabled 45+.

I have examined the actuarial assumptions and actuarial methods used in determining the capitated payment rates as developed in the attached HealthCare Analytics report dated May 14, 2009. In my review of the capitation rate development, I have relied upon an analysis of Medicaid Fee For Service claims data, Medicaid eligibility data, program and other documentation, and trend research provided by HealthCare Analytics to the State. All data was provided to the State Medicaid Agency. I performed no verification as to the accuracy of these data. In other respects, my determination included such review of the actuarial calculations as I considered necessary in the circumstances.

In my opinion, the capitation rates developed in the report dated May 14, 2009:

- i. Are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- ii. Are based on actuarial assumptions which reflect historical program experience,
- iii. Are in compliance with the regulations found at 42 CFR 438.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board.

A handwritten signature in dark ink, appearing to read 'Vincent G. Sherwin', is written in a cursive, flowing style.

Vincent G. Sherwin, FSA, MAAA
Consulting Actuary

5/14/09

Date